

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-07 L-03 ACDA-07
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TO SECSTATE WASHDC PRIORITY 5647
SECDEF WASHDC PRIORITY
INFO AMEMBASSY LONDON
CINCLANT NORFOLK VA
USLOSACLANT NORFOLK VA
USNMR SHAPE BE
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 01 OF 02 NATO 08399

C O R R E C T E D C O P Y FOR TEXT /LN 5 PARA 5 OMITTED IN ORIG
XMISSION/

E.O. 11652: GDS
TAGS: MPOL, NATO, DPC, UK
SUBJECT: UK DEFENSE REDUCTIONS FOR FY-1978/79

REF: (A) USNATO 8375 (DTG 011708Z SEP 77), (B) USNATO
8159 (DTG 261608Z AUG 77)

1. IN REF A WE PRESENTED OUR COMMENTS AND REQUESTED
GUIDANCE FOR THE SEPTEMBER 7 DEFENSE PLANNING COMMITTEE
(DPC) MEETING ON UK 1978/79 DEFENSE REDUCTIONS. SUBSE-
QUENTLY, ACTING SYG PANSA CIRCULATED A DRAFT PRESS RELEASE
ON THE DEFENSE CUTS WHICH WILL ALSO BE DISCUSSED AT THE
SEPTEMBER 7 DPC. THE TEXT OF THIS DRAFT RELEASE FOLLOWS
IN PARA 5.

2. THE DRAFT PRESS RELEASE IS AN ACCURATE RENDERING IN
UNCLASSIFIED FORM OF SYG LUNS' DRAFT LETTER TO SECRETARY
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MULLEY (PARA 3, REF B). AS WE PROPOSE TO SUPPORT SYG
LUNS' LETTER AS WRITTEN (PARA 3, REF A), WE LIKEWISE PRO-
POSE TO AGREE TO THE RELEASE OF THE UNCLASSIFIED VERSION,
HOPING THAT ITS PUBLICATION MAY BE OF SOME HELP IN STIF-
FENING BRITISH BACKS AGAINST FUTURE PRESSURES FOR FURTHER
DEFENSE CUTS.

3. WE WILL REQUIRE GUIDANCE ON THIS PRESS RELEASE BY
CLOSE OF BUSINESS, SEPTEMBER 6.

4. BEGIN TEXT OF PO/77/127, ACTING SYG PANSA'S COVER
NOTE:

REDUCTIONS IN UNITED KINGDOM DEFENSE EXPENDITURE FOR
FINANCIAL YEAR 1978/79

AS IS CUSTOMARY IN CASES OF CONSULTATIONS ON A PROPOSED
REDUCTION IN THE DEFENSE EFFORT OF AN ALLY, PERMANENT REPRESENTATIVES MAY WISH TO AUTHORIZE A COMMUNICATION TO THE PRESS. FURTHER TO PO/77/124, I AM, THEREFORE, CIRCULATING AT ANNEX A DRAFT PRESS RELEASE FOR CONSIDERATION BY THE DEFENSE PLANNING COMMITTEE AT ITS MEETING ON 7TH SEPTEMBER, 1977. THIS DRAFT CONTAINS AN UNCLASSIFIED VERSION OF THE TEXT CIRCULATED IN PO/77/124 AND, THEREFORE, SHOULD EXACTLY REFLECT ANY CHANGES INTRODUCED INTO THAT TEXT.

END TEXT.

5. BEGIN TEXT OF ANNEX TO PO/77/127, DRAFT PRESS RELEASE:

DRAFT OF A COMMUNICATION TO THE PRESS ON THE PROPOSED
REDUCTION OF UNITED KINGDOM DEFENSE EXPENDITURE FOR 1978/79

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THE DEFENSE PLANNING COMMITTEE OF THE NORTH ATLANTIC COUNCIL HAS CONCLUDED ITS CONSULTATIONS ON THE MEASURES PROPOSED BY THE UNITED KINGDOM TO REDUCE ITS PLANNED DEFENSE EXPENDITURE FOR THE FINANCIAL YEAR 1978/79 BY POUNDS 230 MILLION . (AT 1976 PRICES). THESE CONSULTATIONS TOOK PLACE, AS PROVIDED FOR UNDER NATO PROCEDURES, FOLLOWING THE ANNOUNCEMENT OF THIS PROPOSED REDUCTION BY THE UNITED KINGDOM IN DECEMBER 1976.

THE VIEWS OF ITS ALLIES HAVE BEEN CONVEYED TO THE UNITED KINGDOM IN A LETTER ADDRESSED BY THE SECRETARY GENERAL, DR JOSEPH LUNS, TO THE SECRETARY OF STATE FOR DEFENSE, MR FRED MULLEY, THE ESSENCE OF WHICH READS AS FOLLOWS:

"IN JUDGING THESE PROPOSALS YOUR ALLIES CANNOT BUT SEE THEM IN THE LIGHT OF THE ANTECEDENTS - A COMPREHENSIVE AND FAR-REACHING ADJUSTMENT OF BRITAIN'S DEFENSE EFFORT IN WHICH PLANNED EXPENDITURES WERE MASSIVELY REDUCED BUT WHICH WAS NONETHELESS SOON FOLLOWED BY A SERIES OF FURTHER CUTS IN THOSE SAME EXPENDITURES, CULMINATING IN THE PRESENT REDUCTION OF POUNDS 230 MILLION AT 1976 PRICES. THE CUMULATIVE RESULT IS THAT FINANCIAL YEAR 1978/1979 HAS SUFFERED CUTS

INCLUDING THE REDUCTIONS MADE AS A RESULT OF THE UNITED
KINGDOM DEFENSE REVIEW AMOUNTING TO ALMOST ONE-FIFTH OF THE
EXPENDITURE FOR WHICH IT WAS ONCE THOUGHT NECESSARY TO PLAN.
WHILE PART OF THESE REDUCTIONS WAS RELATED TO NON-NATO
COMMITMENTS, THIS PART WAS RELATIVELY SMALL. NOR CAN ONE
REFRAIN FROM MENTIONING IN THIS CONTEXT ANOTHER DEVELOPMENT
WHICH I AM SURE YOU WILL JOIN YOUR ALLIES IN AGREEING WAS
MOST UNFORTUNATE. I REFER TO THE SIZE OF THE UNDERSPENDING
WHICH MARKED FINANCIAL YEAR 1976/1977 AND WHICH IS TANTA-
MOUNT TO AN UNANNOUNCED CUT. YOUR ALLIES TRUST THAT
MEASURES WILL BE TAKEN TO LESSEN THE RISK THAT UNDERSPEND-
ING WILL HAPPEN AGAIN TO THE SAME EXTENT.

"IN ASSESSING PREVIOUS REDUCTIONS BY HER MAJESTY'S GOVERN-
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C O R R E C T E D C O P Y FOR TEXT

MENT IN PLANNED DEFENSE EXPENDITURES, NATO HAS SHOWN A
CONSIDERABLE MEASURE OF UNDERSTANDING FOR THE UNITED KING-

DOM'S REAPPRAISAL OF ITS DEFENSE POLICY IN THE LIGHT OF CHANGING WORLD CONDITIONS AND FOR THE TRANSIENT ECONOMIC DIFFICULTIES WHICH PROMPTED THE NUMEROUS FURTHER CUTS MADE IN THE MINIMUM LEVEL OF DEFENSE WHICH THAT REAPPRAISAL WAS SUPPOSED TO HAVE ESTABLISHED. YOUR ALLIES ACCORDINGLY REFRAINED FROM PRESSING THESE MATTERS AS THEY HAVE DONE IN THE CASE OF CERTAIN OTHER COUNTRIES. CLEARLY, HOWEVER, IT MUST NOW BE RECOGNIZED THAT THE PRESENT REDUCTION CANNOT BUT BE DETRIMENTAL TO THE EFFECTIVENESS OF THE UNITED KINGDOM'S FORCES, INASMUCH AS PREVIOUS CUTS PRACTICALLY EXHAUSTED THE POSSIBILITIES OF FINDING SAVINGS IN AREAS WHICH COULD BE CONSIDERED AS NOT DIRECTLY RELATED TO NATO. IN SEVERAL FIELDS THE LOST GROUND AND THE ITEMS ELIMINATED WILL HAVE TO BE RECOVERED AS SOON AS POSSIBLE. IN THIS CONTEXT IT WILL BE IMPORTANT TO MAKE SURE THAT MEASURES

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WHICH ARE NOW BEING DEFERRED WILL BE IMPLEMENTED FULLY WITHOUT HAVING TO COMPETE WITH OTHER ITEMS IN FUTURE BUDGETS AND WITHOUT LEADING TO CANCELLATION OR DEFERMENT OF MEASURES WHICH WOULD NORMALLY HAVE BEEN COVERED BY THOSE BUDGETS.

"IT IS PARTICULARLY DISTURBING THAT THESE NEGATIVE DEVELOPMENTS COINCIDE WITH A SHARPENED AWARENESS BY THE ALLIANCE OF THE UNREMITTING EFFORT MADE BY THE WARSAW PACT TO IMPROVE ITS OFFENSIVE POSTURE AND OF THE IMPLICATIONS OF THIS FOR OUR FUTURE SECURITY. IT IS A CAUSE FOR DISAPPOINTMENT THAT THE UNITED KINGDOM AUTHORITIES DID NOT DRAW WHAT MUST BE SEEN AS THE APPROPRIATE CONCLUSIONS FROM THE OMINOUS DESCRIPTION OF INCREASES IN SOVIET STRENGTH CONTAINED IN THEIR OWN DEFENSE WHITE PAPER FOR 1977. ALLIANCE SOLIDARITY, MOREOVER, WILL NOT BE AIDED BY THE CIRCUMSTANCE THAT THE LATEST CUTS WERE ANNOUNCED SHORTLY AFTER THE NATO MINISTERIAL SESSION OF DECEMBER 1976 HAD PUT ON RECORD ITS CONCERN AT THE RELENTLESS GROWTH OF THE WARSAW PACT MILITARY POWER AND AT THE WIDENING DISPARITIES BETWEEN NATO AND THE WARSAW PACT CAPABILITIES, AND AGREED THAT DEFENSE CONTRIBUTIONS TO THE ALLIANCE WOULD BE REVIEWED WITH THE AIM OF ACHIEVING CLOSER APPROXIMATION BETWEEN NATIONAL FORCE PLANS AND NATO FORCE GOALS. THE UNITED KINGDOM'S ACTION WILL NOT BE HELPFUL TO OTHER GOVERNMENTS WHO ARE MAKING LAUDABLE EFFORTS TO HALT OR REVERSE THE TREND IN THE MILITARY BALANCE EVIDENCED IN RECENT YEARS.

"WHILE DEPLORING THE EFFECTS OF THIS FURTHER CUT IN PLANNED DEFENSE EXPENDITURE, YOUR ALLIES ACCEPT THAT IT WOULD HARDLY BE POSSIBLE FOR YOUR GOVERNMENT TO GO BACK ON ITS DECISION AND RESTORE AT THIS TIME ANY PART OF THE POUNDS 230 MILLION INVOLVED. THEY RECOGNIZE MOREOVER THE

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THOROUGH-GOING SCRUTINY TO WHICH THE UNITED KINGDOM AUTHORITIES SUBJECTED ALL THE NATO-RELEVANT AREAS IN WHICH THE SAVINGS MIGHT BE EFFECTED, IN ORDER TO ENSURE THAT THE IMPLICATIONS FOR THE FRONT-LINE CONTRIBUTION, TOGETHER WITH ITS ESSENTIAL SUPPORT, WERE KEPT TO A MINIMUM. NEVERTHELESS, IT MUST BE EMPHASIZED THAT NATO, FACED WITH AN INCREASING THREAT, CANNOT AFFORD ANY LESSENING OF ITS MEMBERS' DEFENSE EFFORTS, AND THAT ANY FURTHER CUTS BY THE UNITED KINGDOM WOULD NOT BE UNDERSTOOD BY ITS ALLIES OR FIND ANY MEASURE OF SUPPORT ON THEIR PART.

"IN RECENT WEEKS THERE HAVE BEEN MOUNTING INDICATIONS OF A BRIGHTER ECONOMIC FUTURE FOR THE UNITED KINGDOM. ONE IS ENTITLED TO HOPE THAT THE COUNTRY'S WORST DIFFICULTIES ARE OVER. WITH THE ELIMINATION OF BALANCE OF PAYMENTS PROBLEMS, WHICH HAVE BEEN ONE OF THE UNITED KINGDOM'S MAJOR ECONOMIC WEAKNESSES SINCE THE WAR, IT WILL BE POSSIBLE FOR THE ECONOMY TO MOVE FORWARD ON A SOUND BASIS. WE HAVE NOTED WITH INTEREST REPORTS THAT YOUR GOVERNMENT HOPES TO USE PART OF THE GROWING OIL REVENUE TO REVERSE SOME OF THE CUTS MADE IN PUBLIC SPENDING. WHEN THAT HAPPENS, IT IS ESSENTIAL THAT THE DEFENSE SECTOR RECOVER PART AT LEAST OF THE SAVINGS WHICH, IN OUR VIEW TO A DISPROPORTIONATE EXTENT, IT HAS BEEN FORCED TO CARRY. THE UNITED KINGDOM, WHOSE DEFENSE EXPENDITURES NOW SHOW REDUCTIONS IN REAL TERMS IN SUCCESSIVE YEARS, SHOULD REVERT TO THE POSITIVE PATTERN WHICH MARKED ITS PAST RECORD AND WHICH WOULD BE IN LINE WITH THE EFFORT DEMANDED OF THE ALLIES IN THE LIGHT OF THE ACTIONS TAKEN IN THE WARSAW PACT." END TEXT. GLITMAN

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